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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 1683
INFO RUEHAC/AMEMBASSY ASUNCION 6406
RUEHBO/AMEMBASSY BOGOTA 3730
RUEHBR/AMEMBASSY BRASILIA 7600
RUEHBU/AMEMBASSY BUENOS AIRES 4850
RUEHCV/AMEMBASSY CARACAS 2102
RUEHPE/AMEMBASSY LIMA 2175
RUEHME/AMEMBASSY MEXICO 1992
RUEHMN/AMEMBASSY MONTEVIDEO 4297
RUEHQT/AMEMBASSY QUITO 4739
RUEHSG/AMEMBASSY SANTIAGO 9324
RUEHSO/AMCONSUL SAO PAULO 2110
RUEHC/DEPT OF LABOR WASHINGTON DC
RUEHBS/USEU BRUSSELS
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 003402

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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

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SUBJECT: 2007 DEVELOPMENT PLAN TO BE RELEASED DECEMBER 31

REF: LA PAZ 1660

Summary

11. (U) President Morales will announce the government's economic development plan for 2007 on December 31. The government will encourage production through the founding of a national development bank, perhaps with Venezuelan funding, and by government purchase of products and the creation of "productive complexes." The government will promote human capital development by increasing free public health coverage, targeting resources for poor municipalities, and opening boarding schools for rural children. End summary.

2007 Development Plan to be Released December 31

12. (U) President Morales will announce the government's economic development plan for 2007 -- based on its five-year national development plan (reftel) -- on December 31, according to press reports. The government will encourage production through the founding of a national development bank and by government purchase of products and will promote human capital development through education and health initiatives.

Production Stimulation

13. (U) The national development bank will provide low-rate credits based on collective guaranties to micro, small, and medium enterprises affiliated with social organizations and syndicates. Press reports indicate that the bank currently has USD 30 million that were transferred to it by the

existing state-owned Bolivian National Financier. The press speculates that the Bolivian state-owned Union Bank could become the development bank by channeling USD 100 million in concessional loans granted by Venezuela. The bank would finance the production of such products as soy, quinua, honey, coca toothpaste, milk, furniture, leather, and textiles. In addition to creating the bank, the government plans to encourage production by purchasing Bolivian products for government use or for reselling abroad. The government will promote job creation and improved production through creating "productive complexes," which will provide farmers and others with access to technology, markets, and roads.

Investing in Human Capital

¶4. (U) The government also plans to promote health and education in 2007 by increasing free public health coverage from age 5 to age 21, providing resources for health and education to 148 of the country's poorest municipalities, opening boarding schools for rural children who live far away from education centers, and providing public transportation for school children.

Comment

¶5. (U) The government's design for the national development bank remains unclear. Depending on how the bank is set up, it could negatively impact the rest of the banking sector. The government's proposal to purchase goods lacking markets

to stimulate production sounds like a costly, unsustainable method of job creation, and the "productive complex" idea seems poorly defined. However, the GOB's planned health and education initiatives could produce long-term gains by strengthening Bolivia's human capital. End comment.

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